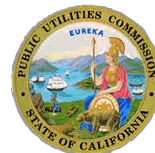


**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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In the Matter of the Application of San Diego Gas & )  
Electric Company (U 902 E) for Approval of its )  
Proposals for Dynamic Pricing and Recovery of )  
Incremental Expenditures Required for )  
Implementation. )  
\_\_\_\_\_)

A.10-07-009  
(Filed July 6, 2010)

**PETITION FOR MODIFICATION OF DECISION NO. 12-12-004  
OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E)**

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**BEFORE THE PUBLIC UTILITIES COMMISSION  
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In the Matter of the Application of San Diego Gas & Electric Company (U 902 E) for Approval of its Proposals for Dynamic Pricing and Recovery of Incremental Expenditures Required for Implementation.

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A.10-07-009  
(Filed July 6, 2010)

**PETITION FOR MODIFICATION OF DECISION NO. 12-12-004  
OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E)**

**I. INTRODUCTION**

Pursuant to Rule 16.4 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), San Diego Gas & Electric Company (SDG&E) petitions the Commission to modify Decision (D.) 12-12-004 (hereinafter referred to as the “Dynamic Pricing Decision”),<sup>1</sup> to establish SDG&E’s time-of use (TOU) rate as the standard turn-on rate for new small non-residential customers.<sup>2</sup> The Dynamic Pricing Decision required that small non-residential customers (except agricultural) default to a TOU event-based critical peak pricing rate (TOU/CPP) and established TOU/CPP as SDG&E’s current standard rate for small non-residential customers.<sup>3</sup> However, SDG&E’s experience has shown that a complex TOU/CPP rate may not be suitable for most small non-residential customers, because they are unable to respond when a CPP event is called. This Petition therefore requests that the Commission

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<sup>1</sup> D.12-12-004, “Decision Adopting a Dynamic Pricing Structure for Residential and Small Commercial Customers and Denying the Motion for Approval of a Settlement Agreement,” (hereinafter referred to as the “Dynamic Pricing Decision”) (December 20, 2012), Ordering Paragraph (OP) 4.

<sup>2</sup> SDG&E’s TOU rate for small non-residential customers (non-agricultural, with demand under 20 kW) is Schedule TOU-A (generally referred to herein as the TOU rate).

<sup>3</sup> SDG&E’s TOU/CPP rate for small non-residential customers (non-agricultural, with demand under 20 kW) is the time-of-use plus rate, Schedule TOU-A-P (generally referred to herein as the TOU/CPP rate).

modify the Dynamic Pricing Decision to establish SDG&E's TOU rate (without the CPP adder) as its standard turn-on rate and to establish SDG&E's TOU/CPP rate as its optional rate, for customers initiating service. This narrow change would apply only to new customers, and existing customers on this rate schedule would be unaffected.

Both TOU and TOU/CPP rates are consistent with the Dynamic Pricing Decision's stated Commission policy "in favor of transitioning [small non-residential] customers to time-varying and/or dynamic rates."<sup>4</sup> All time-variant and/or dynamic rates are intended to motivate customers to reduce their electricity use during peak times by more closely reflecting the higher costs of electricity at peak times. TOU rates encourage customers to reduce their use every day, during periods of peak usage, while TOU/CPP rates additionally encourage customers to reduce their use during "event" days called prior to forecasted high system demand – typically, on days when outside temperatures are expected to be very high. This Petition demonstrates how SDG&E's TOU/CPP rate may not be suitable for most small non-residential customers and therefore should not continue to be SDG&E's standard turn-on rate. SDG&E believes its currently optional TOU rate – a time-variant rate without an event-based CPP component – would be a simpler and more suitable standard turn-on rate for most small non-residential customers initiating service.

Consistent with Rule 16.4(d), this Petition also explains herein the circumstances justifying filing over one year after the effective date of D.12-12-004 (issued December 27, 2012). Specifically, this Petition could not have been filed by December 27, 2013, because SDG&E did not have small non-residential customer experience with the TOU or TOU/CPP rates as of that date. Indeed, SDG&E's small non-residential customers did not begin defaulting

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<sup>4</sup> Dynamic Pricing Decision, p. 67, Finding of Fact (FOF) 19.

into a TOU/CPP event-based rate until November 2015,<sup>5</sup> and optional TOU rates for small commercial customers only became available in May 2014,<sup>6</sup> both occurring more than one year after the December 2012 issuance of the Dynamic Pricing Decision. The Petition's requested relief is appropriately sought at this time and should be granted as reasonable and in the public interest, as it will ultimately help mitigate summer bill volatility for new small non-residential customers while continuing to support California's time-variant pricing objectives.

## **II. BACKGROUND**

On July 6, 2010, SDG&E filed its application for approval of dynamic pricing proposals (the "Dynamic Pricing Application"<sup>7</sup>), in accordance with California and Commission policy "to make dynamic pricing tariffs available for all customers"<sup>8</sup> and to move "beyond TOU rates to truly dynamic rates that change based on actual system prices and conditions."<sup>9</sup> Among other things, the Dynamic Pricing Application requested the Commission to approve a default dynamic pricing rate for small non-residential customers.<sup>10</sup> Testimony supporting SDG&E's Dynamic Pricing Application explained SDG&E's understanding that TOU/CPP rates were "established by the Commission as the default dynamic rate for commercial and industrial customers,"

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<sup>5</sup> April 4, 2014 Letter from CPUC Executive Director Paul Clanton to Lee Schavrien of SDG&E, granting SDG&E's request for extension of time to comply with D.12-12-004 and D.14-01-002.

<sup>6</sup> Advice Letter (AL) 2595-E, "Implementation of Rate Changes Effective May 1, 2014 Authorized in SDG&E's GRC Phase 2 Decision D.14-01-002," approved July 22, 2014 and effective May 1, 2014. AL 2597-E, "Implementation of SDG&E's Electric Energy Resource Account Trigger Pursuant to D.14-02-022 and The Inclusion of Greenhouse Gas Costs Pursuant to D.13-12-041 for Rates Effective May 1, 2014," approved May 30, 2014 and effective May 1, 2014.

<sup>7</sup> A.10-07-009, "Application of [SDG&E] for Approval of Its Proposals for Dynamic Pricing and Recovery of Incremental Expenditures Required for Implementation" (July 6, 2010).

<sup>8</sup> The State of California Energy Action Plan II, "Implementation Roadmap for Energy Policies," (October 2005), p. 7, *available at* [http://docs.cpuc.ca.gov/word\\_pdf/REPORT/51604.pdf](http://docs.cpuc.ca.gov/word_pdf/REPORT/51604.pdf).

<sup>9</sup> D.08-07-045, pp. 5-6 (citing the Commission's 2003 Vision Statement, California Demand Response: A Vision for the Future (2002-2007)).

<sup>10</sup> Dynamic Pricing Application, p. 5. The terminology used in the Dynamic Pricing Application and in the Dynamic Pricing Decision for SDG&E's small commercial TOU/CPP rate is Peak Shift at Work or PSW.

following guidance in . . . D.08-07-045 and . . . D.10-02-032.<sup>11</sup>

The Dynamic Pricing Decision recognized Commission policy “in favor of transitioning [small non-residential] customers to time-varying and/or dynamic rates.”<sup>12</sup> On this basis, the Commission adopted “mandatory [TOU] rates along with default [TOU/CPP] rates for small non-residential customers” and eliminated a flat rate option.<sup>13</sup> But in doing so, the Commission also recognized the need to carefully and thoughtfully transition small non-residential customers into TOU/CPP rates, for example, by implementing the transition to default TOU/CPP rates on a rolling basis and providing bill protection for small non-residential customers for one year following default into TOU/CPP event-based rates.<sup>14</sup> The Commission also allowed TOU/CPP event-based rates to remain optional for small and medium agricultural customers.<sup>15</sup>

The Dynamic Pricing Decision also implemented extensive requirements for educating customers on the new dynamic rates,<sup>16</sup> consistent with its recognition that customer awareness and ability to adjust usage are key to the “acceptance” of time-variant rates:

OP 13. Customer acceptance of time-varying rates depends in large part on customers’ awareness of the characteristics of these new tariffs, as well as customers’ ability to adjust their usage to reduce their peak electric load.<sup>17</sup>

Within this context, the Dynamic Pricing decision ordered SDG&E to establish new optional TOU and TOU/CPP rates for small non-residential customers on November 1, 2013<sup>18</sup>

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<sup>11</sup> A.10-07-009, Prepared Direct Testimony of Joseph S. Velasquez, pp. 6-7 (July 6, 2010).

<sup>12</sup> Dynamic Pricing Decision, p. 67, FOF 19.

<sup>13</sup> *Id.*, p. 71, OP 4.

<sup>14</sup> *Id.*, p. 72, OP 7 (“[SDG&E] shall . . . incorporate into and implement within its dynamic rates the consumer protections described in this decision, including 12 months of bill protection . . . shadow billing, snap credits, and tracking of customer calls, and may implement the rates adopted in this decision to their customers on a rolling basis over a six-month period.”).

<sup>15</sup> *Id.*, p. 71, OP 4.

<sup>16</sup> *See, e.g., id.*, pp. 72-73, OP 8-14.

<sup>17</sup> *Id.*, p. 66, FOF 13.

<sup>18</sup> *Id.*, p. 71, OP 3.

and implement mandatory TOU rates along with default TOU/CPP rates for small non-residential customers in November 2014, thus eliminating the flat-rate option.<sup>19</sup> These implementation dates for mandatory TOU and default TOU/CPP for small non-residential customers were extended from November 2014 to November 2015.<sup>20</sup>

SDG&E's Test Year 2012 General Rate Case (GRC) Phase 2 decision, D.14-01-002, implemented new optional TOU rates for small commercial customers, on May 1, 2014.<sup>21</sup> And beginning in November 2015, in accordance with the Dynamic Pricing Decision, all small commercial customers (under 20kW) began to be transitioned from a flat rate (Schedule A), to a TOU/CPP rate.<sup>22</sup> As part of the transition process, SDG&E's TOU/CPP rate became the new standard rate for small commercial customers. Customers defaulting to the TOU/CPP rate were provided with bill protection for twelve consecutive months after default. Customers could otherwise opt out of the TOU/CPP rate and enroll in the optional TOU rate,<sup>23</sup> which is not an event-based rate.

The attached declarations of Jennifer Reynolds,<sup>24</sup> Brian D'Agostino,<sup>25</sup> and Leslie

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<sup>19</sup> *Id.*, p. 71, OP 4.

<sup>20</sup> See SDG&E Advice Letter 2780-E, approved September 23, 2015 and effective September 20, 2015 at 3 (citing D.12-12-004 and April 4, 2014 Letter from CPUC Executive Director Paul Clanton to Lee Schavrien of SDG&E, granting SDG&E's request for extension of time to comply with D.12-12-004 and D.14-01-002).

<sup>21</sup> AL 2597-E, "Implementation of SDG&E's Electric Energy Resource Account Trigger Pursuant to Decision 14-02-022 and the Inclusion of Greenhouse Gas Costs Pursuant to Decision 13-12-041 for Rates Effective May 1, 2014," approved May 30, 2014 and effective May 1, 2014.

<sup>22</sup> SDG&E's currently effective TOU/CPP rate for small non-residential customers is its time-of-use plus rate, "Schedule TOU-A-P." Currently-effective rates were filed in Advice Letter 3326-E, effective January 1, 2019, pending Commission approval.

<sup>23</sup> SDG&E's optional TOU rate (with no CPP event-based adder) for small non-residential customers is Schedule TOU-A, implemented through AL 2597-E, approved May 30, 2014 and effective May 1, 2014.

<sup>24</sup> Declaration of Jennifer Reynolds on Behalf of [SDG&E] in Support of Petition for Modification of D.12-12-004, attached as Appendix A.

<sup>25</sup> Declaration of Brian D'Agostino on Behalf of [SDG&E] in Support of Petition for Modification of D.12-12-004, attached as Appendix B.

Willoughby<sup>26</sup> describe the facts and circumstances supporting the Petition's requested relief from high summer bills on behalf of SDG&E's small non-residential customers.<sup>27</sup>

### **III. DISCUSSION: TOU/CPP RATES SHOULD BE OPTIONAL, NOT STANDARD**

The Petition seeks to modify the Dynamic Pricing Decision regarding standard and optional rates for small non-residential customers initiating service, to establish SDG&E's TOU rate as the standard turn-on rate and SDG&E's TOU/CPP rate as optional. Currently, under the Dynamic Pricing Decision, SDG&E's TOU/CPP rate is the standard turn-on rate and SDG&E's TOU rate is optional. SDG&E seeks this relief because SDG&E's event-based TOU/CPP rate has proven to be unsuitable as a standard rate for small non-residential customers who are unable to reduce their electricity usage when a CPP event is called.

Establishing SDG&E's TOU-only rate as the standard turn-on rate is consistent with Commission policy in favor of time-varying rates for small non-residential customers,<sup>28</sup> while mitigating the TOU/CPP rate's unnecessary complexities for unwitting customers. The TOU-only standard rate this Petition requests would still allow a customer to choose an event-based TOU/CPP rate, if the customer actively decides it can successfully manage its electric needs and benefit from SDG&E's TOU/CPP option.

The discussion below supports the requested relief as follows:

- The event-based TOU/CPP rate can result in bill volatility and increased

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<sup>26</sup> Declaration of Leslie Willoughby on Behalf of [SDG&E] in Support of Petition for Modification of D.12-12-004, attached as Appendix C.

<sup>27</sup> SDG&E has also recently filed two petitions for modification requesting relief from high summer bills on behalf of residential customers. *See*, R.12-06-013, *Petition for Modification of D.15-07-001 and D.17-07-006 by [SDG&E]* (November 30, 2018); R.11-03-012, *Petition for Modification of D.13-12-003 of [SDG&E]* (March 29, 2019). The Commission adopted a decision in R.12-06-013 on April 25, 2019 (D.19-04-018), acknowledging the summer bill volatility problem but recommending alternative solutions including the elimination of seasonal differentials in residential rates.

<sup>28</sup> *See, e.g.*, the Dynamic Pricing Decision, p. 31 and p. 76, FOF 19 (noting "Commission policy in favor of transitioning [small non-residential] customers to time-varying and/or dynamic rates," emphasis added).



complaints from customers unable to reduce usage during event days – making it unsuitable as a standard turn-on rate.

- Background: The Dynamic Pricing Decision's transition of SDG&E's small non-residential customers to a default (standard) TOU/CPP rate demonstrated better adoption of the TOU rate feature than CPP.
  - Customers' ability to reduce usage during CPP event days – which many small customers do not have – is important to success on a TOU/CPP rate.
  - The summer 2018 heatwave caused extreme bill volatility for many TOU/CPP customers, leading to record complaints.
  - Most TOU/CPP customers provide very little load impact during CPP events, but customers who opt into a TOU/CPP rate are more likely to respond; and
  - The potential for poor customer experience and “structural winning” without load reduction benefit supports establishing TOU/CPP as an optional rather than standard turn-on rate.
- A. The event-based TOU/CPP rate can result in bill volatility and increased complaints from customers unable to reduce usage during event days – making it unsuitable as a standard turn-on rate.**

Because the TOU/CPP is currently SDG&E's standard rate, many small non-residential customers initiating service may assume that the TOU/CPP rate is well-suited for most customers, without in-depth analysis. But based on experience with existing customers, SDG&E believes that this is not the case. Indeed, SDG&E's recent summer 2018 experience indicates that many customers who are unable to reduce their energy usage on CPP event days were defaulted to and remained on the TOU/CPP rate under the Dynamic Pricing Decision. Many customers who were unable to respond to CPP events during the summer 2018 heat wave experienced extreme bill volatility, which led to record complaints. These circumstances demonstrate that the TOU/CPP rate is not “one-size-fits-all” and should not remain SDG&E's standard rate for small non-residential customers initiating service.

**1. Background: The Dynamic Pricing Decision’s transition of SDG&E’s small non-residential customers to a default (standard) TOU/CPP rate demonstrated better adoption of the TOU rate feature than CPP.**

In 2015, in accordance with the Dynamic Pricing Decision, all small commercial customers began to be transitioned by default from a flat rate to a TOU/CPP rate.<sup>29</sup> This transition required small business customers to learn how to manage two new time-variant elements of their electric bill – both time-of-use and event-based CPP pricing. SDG&E’s TOU rate remained an optional rate for small commercial customers. At the time the Dynamic Pricing Decision was issued, it was uncertain exactly how the two new time-variant elements of electric bills would impact small business customers, and many mitigating efforts were developed to help customers transition without undue hardship.

After the Dynamic Pricing Decision was issued, SDG&E (in coordination with community partners) engaged in a robust marketing, education and outreach effort aimed at helping small customers through the transition out of a standard flat rate.<sup>30</sup> SDG&E’s campaign included over 260,000 communications, presentations at over 140 community events, and countless individual meetings with small non-residential customers to strengthen their understanding and awareness of the event-based rate. During the transition period, survey data showed that customers understood they were moving to a new rate, but customers had not yet been tested (through actual experience) on whether they understood the associated future operational and behavioral changes required to respond to CPP events on the rate.

In accordance with the Dynamic Pricing Decision and related approvals, SDG&E provided small non-residential customers certain protections during their first year after their

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<sup>29</sup> Appendix A (Reynolds) at ¶ 4.

<sup>30</sup> *Id.* at ¶ 5.

default enrollment on the rate (which phased transition began in November 2015).<sup>31</sup> These protections included phasing the transition to better facilitate customer inquiries, avoiding customer transition during the summer months, displaying a shadow comparison of a customer's bill on the TOU/CPP rate to the prior rate, and providing 12 months of bill protection, which credited the customer if more would be spent on the TOU/CPP rate than on the former rate.<sup>32</sup>

For the TOU-only component of the rates, customers experienced the time-variant price signal and impact immediately after transitioning to the new rates.<sup>33</sup> However, for the event-based CPP component of the TOU/CPP rate (to which most small non-residential customers defaulted), customers did not initially experience the summer bill volatility that CPP events have the potential to cause. Only one CPP event was called in the first year, which would not result in summer bill volatility – even if customers did not participate in the event. Thus, customers did not experience the TOU/CPP rate's full potential for summer bill volatility during their first year on the rate – the period of time in which they were protected with shadow billing and bill protection. And small non-residential customers who have initiated service since the transition period, or who currently initiate service, have not been and will not be provided shadow billing and bill protection during their first year on the TOU/CPP rate.

**2. Customers' ability to reduce usage during CPP event days – which many small customers do not have – is important to success on a TOU/CPP rate.**

Ms. Reynolds' declaration explains that the most common reason small business customers give for not reducing their electricity use during CPP events is that they do not have

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<sup>31</sup> See Dynamic Pricing Decision, p. 72, OP 7; April 4, 2014 Letter from CPUC Executive Director Paul Clanon to Lee Schavrien of SDG&E, granting SDG&E's request for extension of time to comply with D.12-12-004 and D.14-01-002.

<sup>32</sup> Appendix A (Reynolds) at ¶ 6.

<sup>33</sup> *Id.* at ¶ 7.

the operational flexibility to do so while continuing to meet their core energy needs required to operate their business.<sup>34</sup> To reduce electric consumption during a CPP event day, a business customer must either have discretionary load that is not necessary to maintain operations or be willing to shut-off power and stop operations. Larger business customers tend to have more operational flexibility and experience with managing their energy needs, but small customers are generally less able to stop their operations on short notice and are less likely to have discretionary load to reduce. But a customer's ability to reduce their usage during CPP events is important to a successful experience on the TOU/CPP rate, to avoid volatile bills and provide the demand reduction benefits that the rate was designed to provide.

Both TOU and TOU/CPP rates are designed to change customer behavior to use energy when it is plentiful and conserve when the system is more strained.<sup>35</sup> But the TOU rate feature is inherently more consistent and predictable, because it allows small business customers to plan their daily operations around a known set of rules, to minimize their energy use when it is more expensive. The CPP event-based additional feature, in comparison, is inconsistent by design, because events are called unpredictably throughout the year, largely based on weather. And the price ratio between the highest TOU cost rate (on-peak) and its lowest (off-peak) is only 1.4:1. In contrast, the price ratio between the highest CPP cost rate (an event day) and lowest cost (non-event day) is almost 6:1.

In other words, during a CPP event day, the highest cost CPP rate can be six times greater than the lowest cost non-event day CPP rate for customers who do not reduce their usage. This extreme price differential is compounded when customers who cannot participate experience

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<sup>34</sup> *Id.* at ¶ 10.

<sup>35</sup> *Id.* at ¶ 9.

several CPP events during a summer month, as shown below in Figure JR-1.

**Figure JR-1:**  
**Expected monthly bill increases on CPP event days when usage is not reduced<sup>36</sup>**

Events per month	1 event	5 events	9 events
Monthly % Bill Increase	5%	26%	47%

Figure JR-2 below shows that more CPP events have been called in the years 2016 through 2018:

**Figure JR-2:**  
**Increasing number of CPP Event Days from 2016-2018**

Year	Number of Event Days
2018	6
2017	3
2016	1

As CPP events have increased during the summer months, since 2016, so have the number of small non-residential customer complaints, as shown below in Figure JR-3:

**Figure JR-3: Number of complaints increase as more events are called**

	2016			2017			2018		
	July	Aug	Sep	July	Aug	Sep	July	Aug	Sep
Number of CPP events called	0	0	1	0	1	2	3	3	0
Number of high bill complaints	56	97	62	86	93	338	355	616	280

Ms. Reynolds explains that summer bill volatility is an important potential side effect that

<sup>36</sup> On average, during a CPP event period, the price of electricity increases by over 320%. The total rate in summer on-peak goes from 36.6 cents per kWh to 153.6 cents per kWh.

small business customers must understand to be successful on the TOU/CPP rate, because shouldering this side effect requires the ability to manage cash flow during the hotter summer months.<sup>37</sup> However, the heatwave experienced in SDG&E's service territory in summer 2018 indicates that many small non-residential customers who currently take service on SDG&E's default/standard TOU/CPP rate are not equipped either to manage their energy usage during CPP events or to manage the volatile bills that might result when multiple CPP events are called.

**3. The summer 2018 heatwave caused extreme bill volatility for many TOU/CPP customers, leading to record complaints.**

During the summer of 2018, SDG&E's service territory experienced an unprecedented heatwave.<sup>38</sup> Many locations within the SDG&E service territory experienced their hottest days on record, ocean temperatures reached 80 degrees, and non-desert communities reached 117 degrees. As the heatwave continued, so did the demand on the SDG&E's system. SDG&E called three CPP events in July and three events in August in response.<sup>39</sup> It was at this time that small business customers who had defaulted onto the TOU/CPP rate had the first opportunity to experience several CPP events in a two-month period, and they struggled to make the operational changes necessary to avoid extreme summer bills.

SDG&E heard from a record number of customers in August 2018 who were concerned about increases to their summer bills.<sup>40</sup> During the month of August 2018, high bill inquiries increased by over 500% compared to August 2017; while Average Handle Time (AHT), which measures the average time of a customer call, went up by 13%, due to the complexity of the conversation. Even with the extensive marketing, education and outreach that SDG&E initially

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<sup>37</sup> Appendix A (Reynolds) at ¶ 11.

<sup>38</sup> Appendix B (D'Agostino) at ¶ 4.

<sup>39</sup> Appendix A (Reynolds) at ¶ 14.

<sup>40</sup> *Id.* at ¶ 15.

conducted for its small non-residential customers in accordance with the Dynamic Pricing Decision – over 260,000 communications, presentations at over 140 community events, and countless individual meetings – many customers who defaulted onto the TOU/CPP rate found themselves unable to respond to CPP events. Ms. Reynolds explains that small business customers not only struggled to understand but were limited by operational flexibility to shift their energy demand during the CPP event periods, and therefore did not reduce their use.<sup>41</sup> Without being able to manage energy demands during CPP events, many small non-residential customers experienced extreme bill volatility. And Mr. D’Agostino’s declaration explains that summertime temperatures have climbed steeply in the past 30 years, with no sign of reversing.<sup>42</sup> Thus, it will continue to be important for customers on the TOU/CPP rate to be able to reduce their energy use during hot summer weather, when CPP events are typically called.

**B. Most TOU/CPP customers provide very little load impact during CPP events, but customers who opt into a TOU/CPP rate are more likely to respond.**

As explained in the attached declaration of Jennifer Reynolds, the summer 2018 experience indicates that SDG&E’s defaulted small non-residential customers have had a hard time managing their energy use in response to CPP event price signals.<sup>43</sup> The relief requested in this Petition is intended to mitigate this issue for future customers, by reducing the number of small non-residential customers that are unable to respond to CPP events but inadvertently find themselves on a TOU/CPP rate. As previously mentioned, the most common reason is that the small non-residential customers do not necessarily have operational flexibility to reduce energy use while meeting their core energy needs required to operate their business. If small business

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<sup>41</sup> *Id.* at ¶ 15.

<sup>42</sup> Appendix B (D’Agostino) at ¶ 5.

<sup>43</sup> *See* Appendix A (Reynolds) at ¶ 15.

customers are unable to actively control their load during CPP event days, the TOU/CPP rate may result in a poor customer experience, without load reduction benefits.

SDG&E's experience has shown that customers who opt into a TOU/CPP rate are more likely to respond to CPP events than customers who find themselves on the TOU/CPP rate by default. As shown in the declaration of Leslie Willoughby, the aggregate load impact that results directly from CPP events is insignificant relative to the number of customers that take service on the TOU/CPP rate, which demonstrates that most small non-residential customers provide very little load impacts or cannot and do not respond to CPP events.<sup>44</sup> The data provides additional support for the conclusion that a TOU/CPP rate is unsuitable as a standard rate.

From January through September 2018, the isolated CPP portion of SDG&E's TOU/CPP rate for small non-residential customers provided an average load reduction of .02 kW per customer per year, which equals approximately 2.72 MW or 0.7% annual load reduction.<sup>45</sup> This stands in contrast with the isolated TOU rate structure within SDG&E's TOU/CPP rate for small non-residential customers during the same time period, which provided a 2.6% reduction in load, for an overall TOU energy savings of 48 GWHs during the first 9 months of 2018 and approximately 7 MW in aggregate load reduction.<sup>46</sup> This indicates that the TOU component of the TOU/CPP rate encourages more demand response than the CPP component, for most small non-residential customers.

Studies suggest that customers who actively choose a rate with a CPP feature are more

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<sup>44</sup> Appendix C (Willoughby) at ¶ 5. In 2018, there were 111,149 customers enrolled in SDG&E's TOU/CPP rate, Schedule EECC-TOU-A-P. *Id.* at ¶ 5, n.4.

<sup>45</sup> *Id.* at ¶ 5.

<sup>46</sup> *Id.* at ¶ 4 (citing SDG&E Small Commercial Time Varying Pricing and Technology Deployment Evaluation for Program Year 2018, Demand Side Analytics LLC, Josh Bode & Alana Marchand, March 2019, page 1).



likely to be aware of CPP events when they are called and will be most likely to provide load reduction during CPP event days, as shown in Ms. Willoughby's declaration.<sup>47</sup> SDG&E's residential opt-in TOU pilot rates showed statistically significant load reductions of 4.1% - 5.4% during the summers of 2016 and 2017, while SDG&E's residential default TOU pilot's 2018 summer results showed statistically significant load reductions of 1.5% to 2.0%.<sup>48</sup> These results are consistent with a study prepared for the U.S. Department of Energy by the Sacramento Municipal Utility District ("SMUD"), which shows similar load reduction percentage differences for defaulted residential CPP customers versus opt-in residential CPP customers.<sup>49</sup> Ms. Willoughby notes it is reasonable to expect similar results from small non-residential customers who find themselves on a TOU/CPP rate by default, or who initiate service on SDG&E's standard TOU/CPP rate.<sup>50</sup> These customers may have no intention of actively monitoring when events will be called, may be less likely to respond, and may therefore be subject to increased bill volatility during the summer months.

Thus, the data further demonstrates that TOU/CPP rates are not one-size-fits all, and further support granting SDG&E's requested relief to establish a TOU-only rate as the standard turn-on rate for small non-residential customers initiating service.

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<sup>47</sup> *Id.* at ¶¶ 6-8.

<sup>48</sup> *Id.* at ¶ 6.

<sup>49</sup> *Id.* at ¶ 7 (citing September 5, 2014, "SmartPricing Options Final Evaluation: The final report on pilot design, implementation, and evaluation of the Sacramento Municipal Utility District's Consumer Behavior Study," Section II, "SMUD SmartPricing Options Evaluation Submitted to [SMUD]," submitted by Nexant (August 6, 2014), Executive Summary Table 1-2, p. 4, *available at* [https://www.smartgrid.gov/files/SMUD-CBS\\_Final\\_Evaluation\\_Submitted\\_DOE\\_9\\_9\\_2014.pdf](https://www.smartgrid.gov/files/SMUD-CBS_Final_Evaluation_Submitted_DOE_9_9_2014.pdf)).

<sup>50</sup> Appendix C (Willoughby) at ¶ 8.

**C. The potential for poor customer experience and “structural winning” without load reduction benefits supports establishing TOU/CPP as an optional rather than standard turn-on rate**

The potential for “structural winning” is another reason why the TOU/CPP rate is better suited than an optional rate for SDG&E’s small non-residential customers initiating service, as discussed in Ms. Reynolds’ declaration.<sup>51</sup> Structural winning means that, even if customers are unable to reduce electricity usage during a CPP event, they may still benefit annually while ignoring the TOU/CPP price signal. Because SDG&E’s TOU/CPP commodity rates are designed to be “revenue-neutral,” using the average small commercial customer class load shape, approximately half of the customers will benefit from TOU/CPP rates on an annual basis, and approximately half will be subject to an annual bill increase. Even with no active load management during event periods, it would take nine CPP events before most customers would lose money on an annual basis, compared with the otherwise applicable tariff.<sup>52</sup> These non-responsive “winners” therefore do not provide the load reduction impacts the TOU/CPP rate is otherwise designed to produce and are not the intended customers for TOU/CPP rates.

Although a small non-residential customer may prefer to be served under TOU/CPP if they are expected to be a net “winner” on an annual basis, the CPP rate adder’s complexities serve no purpose if the customer does not intend to actively manage its load during event periods.<sup>53</sup> Additionally, annual “winners” may yet be dissatisfied with the potential month-to-month volatility of the TOU/CPP rate, may still experience difficulty with bill impacts and cash flow constraints when multiple events are called during the same billing cycle, and/or may neglect to appreciate the annual bill reduction impact – resulting in customer confusion and a

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<sup>51</sup> Appendix A (Reynolds) at ¶ 16.

<sup>52</sup> *Id.* at ¶ 16.

<sup>53</sup> *Id.* at ¶ 17.

poor customer experience, regardless whether a customer is structurally “winning.” This potential for poor customer experience and structural winning without load reduction benefits further illustrates why TOU/CPP is more suitable as an optional rate than a standard turn-on rate.

Changing SDG&E’s standard rate for new small non-residential customers to the non-event-based TOU rate would reduce the number of customers who are unable to respond to CPP events on SDG&E’s TOU/CPP rate and mitigate the potential for summer bill volatility and structural winning on the TOU/CPP rate.<sup>54</sup> On average, 250 to 300 customers start service on SDG&E’s TOU/CPP (currently) standard rate each month.<sup>55</sup> Some of those small business customers would be able to participate and react quickly to the CPP event-day price signal. It is important to have the TOU/CPP rate option available for those customers who either can understand and respond to an event or have the budget flexibility and understanding to manage cash flow during summer months.<sup>56</sup> But SDG&E’s experience indicates that establishing its TOU as standard and TOU/CPP as optional would have negligible impact on overall load reduction efforts,<sup>57</sup> as it would maintain the positive effects of TOU-related demand response for new customers while mitigating the potential for structural winning, in addition to reducing bill volatility and improving the customer experience.

#### **IV. REQUESTED RELIEF**

##### **A. Modifications to the Dynamic Pricing Decision (D.12-12-004)**

By this Petition, SDG&E requests that the Commission modify the Dynamic Pricing Decision by adding the following findings of fact:

- Customers’ ability to reduce usage when critical peak pricing event days is

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<sup>54</sup> *Id.* at ¶ 19.

<sup>55</sup> *Id.* at ¶ 19.

<sup>56</sup> *Id.* at ¶ 18.

<sup>57</sup> *See* Appendix C (Willoughby) at ¶¶ 4-8.

important to their success on an event-based dynamic rate.

- Many small non-residential customers do not have the operational flexibility to reduce their energy use during critical peak pricing events while continuing to meet the basic energy needs required to operate their business.
- Customers who knowingly choose an event-based dynamic rate are more likely to respond by reducing their energy use.
- Structural winning on a dynamic rate means that customers may benefit annually on a dynamic rate even if they are unable to reduce electricity usage during a critical peak pricing event.
- It is reasonable to establish a time-variant rate (without an event-based critical peak pricing feature) as the standard rate option for small non-residential customers initiating SDG&E service.

SDG&E also requests that the Commission add the following ordering paragraph:

- As of [Month, day] 2019, the standard rate for small non-residential customers initiating SDG&E service is a time-of-use rate with no critical peak pricing event feature. SDG&E's dynamic time-of-use rate with a critical peak pricing event feature is an optional choice for small non-residential customers initiating service.

## **B. Proposed Schedule**

The Petition's requested relief proposes a small shift to the Dynamic Pricing Decision's findings and orderings but could provide significant benefits to new customers, by minimizing the possibility that they might establish TOU/CPP service without the ability to respond to CPP events. Although Rule 16.4 does not require petitioners to propose a schedule for the Commission's processing of petitions, SDG&E respectfully requests that the Commission act on an expedited basis and grant the modest relief requested in this Petition by no later than the Commission's scheduled July 11, 2019 meeting. Assuming the Commission does act on the Petition by its July 11 meeting, SDG&E requests that the Commission also authorize SDG&E to file a Tier 1 Advice Letter to make the necessary adjustments to its tariffs.

**V. CONCLUSION**

In conclusion, for the reasons set forth above, SDG&E respectfully requests that the Commission grant this Petition by no later than its July 11, 2019 meeting.

Respectfully submitted,

/s/ Laura M. Earl

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SAN DIEGO GAS & ELECTRIC COMPANY

April 26, 2019

## **APPENDIX A – Declaration of Jennifer Reynolds**

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

In the Matter of the Application of San Diego  
Gas & Electric Company (U 902 E) for  
Approval of its Proposals for Dynamic Pricing  
and Recovery of Incremental Expenditures  
Required for Implementation.

Application 10-07-009  
(Filed July 6, 2010)

**DECLARATION OF JENNIFER REYNOLDS ON BEHALF OF  
SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) IN SUPPORT OF  
PETITION FOR MODIFICATION OF D. 12-12-004**

I, JENNIFER REYNOLDS, declare that:

1. I am currently employed by San Diego Gas & Electric Company (“SDG&E”) as the Manager of Business Services for the Customer Care Department. My current responsibilities include managing the strategy, relationships, and customer experience for business customers. This professional experience with business customers gives me insight into their needs and concerns related to rates, operational energy requirements, and infrastructure-related issues.
2. I have reviewed SDG&E’s Petition for Modification of Decision (“D.”)12-12-004 (“Petition”).
3. The Petition requests that the California Public Utilities Commission (“Commission”) modify the Dynamic Pricing Decision<sup>1</sup> regarding standard and optional rates for small non-residential customers initiating service, to establish SDG&E’s time-of-use (“TOU”) rate<sup>2</sup> as standard and to establish SDG&E’s TOU rate with an event-based critical peak pricing

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<sup>1</sup> D.12-12-004, “Decision Adopting a Dynamic Pricing Structure for Residential and Small Commercial Customers and Denying the Motion for Approval of a Settlement Agreement,” (referred to herein as the “Dynamic Pricing Decision”) (December 20, 2012), Ordering Paragraph (“OP”) 4.

<sup>2</sup> SDG&E’s optional TOU rate for small non-residential customers (with demand under 20 kW) is Schedule TOU-A.

component (referred to generally herein as SDG&E’s “TOU/CPP” rate<sup>3</sup>) as optional. Currently, under the Dynamic Pricing Decision, the reverse is true: SDG&E’s TOU/CPP rate is standard and SDG&E’s TOU rate is optional. SDG&E requests this relief because its experience has shown that a TOU/CPP rate may not be suitable for most small non-residential customers, because they are unable to respond when a CPP event is called. CPP events are intended to motivate customers to reduce their electricity use during peak times – typically, on days when outside temperatures are expected to be very high.

***Background: The Dynamic Pricing Decision’s Transition of Small Non-residential Customers to a Default (now Standard) TOU/CPP Rate***

4. In 2015, in accordance with the Dynamic Pricing Decision, all small commercial customers began to be transitioned by default from a flat rate to a TOU/CPP rate. This transition required small business customers to learn how to manage two new time-variant elements of their electric bill – both time-of-use and event-based dynamic pricing. SDG&E’s TOU rate remained an optional rate for small commercial customers. At the time the Dynamic Pricing Decision was issued, it was uncertain exactly how the two new time-variant elements of electric bills would impact small business customers, and many mitigating efforts were developed to help customers transition without undue hardship.

5. After the Dynamic Pricing Decision issued, SDG&E (in coordination with community partners) engaged in a robust marketing, education and outreach effort aimed at helping small customers through the transition out of a standard flat rate. SDG&E’s campaign included over 260,000 communications, presentations at over 140 community events, and countless individual meetings with small non-residential customers to strengthen their

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<sup>3</sup> SDG&E’s standard TOU/CPP rate for small non-residential customers is its time-of-use plus rate, Schedule TOU-A-P.



understanding and awareness of the event-based rate. During the transition period, survey data showed that customers understood they were moving to a new rate, but customers had not yet been tested (through actual experience) on whether they understood the associated future operational and behavioral changes required to respond to CPP events on the rate.

6. In accordance with the Dynamic Pricing Decision and related approvals, SDG&E provided small non-residential customers certain protections during their first year after their default enrollment on the rate (which phased transition began in November 2015).<sup>4</sup> These protections included phasing the transition to better facilitate customer inquiries, avoiding customer transition during the summer months, displaying a shadow comparison of a customer's bill on the TOU/CPP rate to the prior rate, and providing 12 months of bill protection, which credited the customer if more would be spent on the TOU/CPP rate than on the former rate.

7. For the TOU-only component of the rates, customers experienced the time-variant price signal and impact immediately after transitioning to the new rates. However, for the event-based CPP component of the TOU/CPP rate (to which most small non-residential customers defaulted), customers did not initially experience the summer bill volatility that CPP events have the potential to cause. Only one CPP event was called in the first year, which would not result in summer bill volatility – even if customers did not participate in the event. Thus, customers did not experience the TOU/CPP rate's full potential for summer bill volatility during their first year on the rate – i.e., during the period of time in which they were protected with shadow billing and bill protection.

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<sup>4</sup> See Dynamic Pricing Decision at OP 7; April 4, 2014 Letter from CPUC Executive Director Paul Clanon to Lee Schavrien of SDG&E, granting SDG&E's request for extension of time to comply with D.12-12-004 and D.14-01-002.

8. Small non-residential customers who currently initiate service (following the initial phased default transition to the TOU/CPP rate) are not provided shadow billing and bill protection.

***Our Customers' Ability to Reduce Usage During CPP Event Days (or Risk Summer Bill Volatility) Is Important to Their Success on the TOU/CPP Rate***

9. Both TOU and TOU/CPP event-based rates are both designed to send price signals, to motivate small non-residential customers to use energy when it is plentiful and to constrict usage during times of high-demand. The TOU rate feature is inherently more consistent and predictable, because it allows small business customers to plan their daily operations around a known set of rules, to minimize their energy use when it is more expensive. The CPP event-based additional feature, in comparison, is inconsistent by design, because events are called unpredictably throughout the year, largely based on weather.

10. In my professional experience supporting SDG&E's business community, the most common reason small business customers give for not reducing their electricity use during CPP events is that they do not have the operational flexibility to do so while continuing to meet their core energy needs required to operate their business. To reduce electric consumption during a CPP event day, a business customer must either have discretionary load that is not necessary to maintain operations or be willing to shut-off power and stop operations. Larger business customers tend to have more operational flexibility and experience with managing their energy needs, but small customers are generally less able to stop their operations on short notice and are less likely to have discretionary load to reduce.

11. Summer bill volatility is an important potential side effect that small business customers must understand to be successful on the TOU/CPP rate, because shouldering this side effect requires the ability to manage cash flow during the hotter summer months. Both TOU and

TOU/CPP rates are designed to change customer behavior to use energy when it is plentiful and conserve when the system is more strained. However, the price ratio between the highest TOU cost rate (on-peak) and its lowest (off-peak) is only 1.4:1. In contrast, the price ratio between the highest CPP cost rate (an event day) and lowest cost (non-event day) is almost 6:1. In other words, during a CPP event day, the highest cost CPP rate can be six times greater than the lowest cost non-event day CPP rate for customers who do not reduce their usage. This extreme price differential is compounded when customers who cannot participate experience several CPP events during a summer month, as shown below in Figure JR-1:

**Figure JR-1:  
Expected monthly bill increases on CPP event days when usage is not reduced<sup>5</sup>**

<b>Events per month</b>	<b>1 event</b>	<b>5 events</b>	<b>9 events</b>
<b>Monthly % Bill Increase</b>	<b>5%</b>	<b>26%</b>	<b>47%</b>

12. Figure JR-2 below shows that more CPP events have been called in the years 2016 through 2018:

**Figure JR-2:  
Increasing number of CPP Event Days from 2016-2018**

<b>Year</b>	<b>Number of Event Days</b>
<b>2018</b>	<b>6</b>
<b>2017</b>	<b>3</b>
<b>2016</b>	<b>1</b>

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<sup>5</sup> On average, during an CPP event period, the price of electricity increases by over 320%. The total rate in summer on-peak goes from 36.6 cents per kWh to 153.6 cents per kWh.

13. As CPP events have increased during the summer months, since 2016, so have the number of small non-residential customer complaints, as shown below in Figure JR-3:

**Figure JR-3: Number of complaints increase as more events are called**

	2016			2017			2018		
	July	Aug	Sep	July	Aug	Sep	July	Aug	Sep
Number of CPP events called	0	0	1	0	1	2	3	3	0
Number of high bill complaints	56	97	62	86	93	338	355	616	280

***The Summer 2018 Heatwave Created Extreme Bill Volatility for Many TOU/CPP Customers, Leading to Record Complaints***

14. During the summer of 2018, SDG&E’s service territory experienced an unprecedented heatwave, as described in the declaration of Brian D’Agostino.<sup>6</sup> As the heatwave continued, so did the demand on SDG&E’s system. SDG&E called three CPP events in July and three events in August in response. It was at this time that small business customers who had defaulted onto the TOU/CPP rate had the first opportunity to experience several CPP events in a two-month period.

15. SDG&E heard from a record number of customers in August 2018 who were concerned about increases to their summer bills. During the month of August 2018, high bill inquiries increased by over 500% compared to August 2017; while Average Handle Time (“AHT”), which measures the average time of a customer call, went up by 13%, due to the complexity of the conversation. Our small business customers struggled to understand and were limited by operational flexibility to shift their energy demand during the CPP event periods, and

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<sup>6</sup> Appendix B to Petition (Declaration of Brian D’Agostino on Behalf of [SDG&E] in Support of Petition for Modification of D.12-12-004).

therefore did not reduce their use. Without being able to manage energy demands during CPP events, many small non-residential customers experienced extreme bill volatility.

***The Potential for Poor Customer Experience and “Structural Winning” Without Load Reduction Benefits Supports Using TOU/CPP as an Optional Rather than Standard Rate***

16. The potential for “structural winning” is another reason why the TOU/CPP rate is better suited than an optional rate for SDG&E’s small non-residential customers. Structural winning means that, even if customers are unable to reduce electricity usage during a CPP event, they may still benefit annually while ignoring the TOU/CPP price signal. Because SDG&E’s TOU/CPP commodity rates are designed to be revenue-neutral, using the average small commercial customer class load shape, approximately half of the customers will benefit from TOU/CPP rates on an annual basis, and approximately half will be subject to an annual bill increase. Even with no active load management during event periods, it would take nine CPP events before most customers would lose money on an annual basis, compared with the otherwise applicable tariff. These non-responsive “winners” therefore do not provide the load reduction impacts the TOU/CPP rate is otherwise designed to produce and are not the intended customers for TOU/CPP rates.

17. Although a small non-residential customer may prefer to be served under TOU/CPP if they are expected to be a net “winner” on an annual basis, the CPP rate adder’s complexities serve no purpose if the customer does not intend to actively manage its load during event periods. Additionally, annual “winners” may yet be dissatisfied with the potential month-to-month volatility of the TOU/CPP rate, may still experience difficulty with bill impacts and cash flow constraints when multiple events are called during the same billing cycle, and/or may neglect to appreciate the annual bill reduction impact – resulting in customer confusion and a poor customer experience, regardless whether a customer is structurally “winning.” This

potential for poor customer experience and structural winning without load reduction benefits further illustrates why TOU/CPP is more suitable as an optional rate than a standard rate.

18. There are some small business customers who can participate and react quickly to the CPP event-day price signal. It is important to have the TOU/CPP rate option available for those customers who either can understand and respond to an event or have the budget flexibility and understanding to manage cash flow during summer months.

19. On average, 250 to 300 customers start service on SDG&E's TOU/CPP (currently) standard rate each month. Changing SDG&E's standard rate for small non-residential customers initiating service to the non-event-based TOU rate would reduce the number of customers who are unable to respond to CPP events on SDG&E's TOU/CPP rate and mitigate the potential for summer bill volatility and structural winning on the TOU/CPP rate.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, except as to those matters stated to be on information and belief, and as to those matters, I believe them to be true and correct.

Executed this 26th day of April 2019, at San Diego, California.

/s/ Jennifer Reynolds  
Jennifer Reynolds

## **APPENDIX B – Declaration of Brian D’Agostino**

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

\_\_\_\_\_) )  
In the Matter of the Application of San Diego Gas & )  
Electric Company (U 902 E) for Approval of its )  
Proposals for Dynamic Pricing and Recovery of )  
Incremental Expenditures Required for )  
Implementation. )

Application 10-07-009  
(Filed July 6, 2010)

**DECLARATION OF BRIAN D’AGOSTINO ON BEHALF OF  
SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) IN SUPPORT OF  
PETITION FOR MODIFICATION OF D.12-12-004**

I, BRIAN D’AGOSTINO, declare that:

1. I am currently employed by San Diego Gas & Electric Company (“SDG&E”) as the Director of SDG&E’s Fire Science & Climate Adaptation Department. My current responsibilities include oversight of the SDG&E Meteorology Group, which closely monitors and tracks weather conditions across the service territory.

2. I have reviewed SDG&E’s Petition for Modification of Decision (“D.”) 12-12-004 (“Petition”).

3. The Petition requests that the California Public Utilities Commission (“Commission”) modify the Dynamic Pricing Decision regarding standard and optional rates for small non-residential customers initiating service, to establish SDG&E’s time-of-use (“TOU”) rate<sup>1</sup> as standard and to establish SDG&E’s TOU rate with an event-based critical peak pricing component (referred to generally herein as SDG&E’s “TOU/CPP” rate)<sup>2</sup> as optional. SDG&E requests this relief because its experience has shown that a TOU/CPP rate may not be suitable for

<sup>1</sup> SDG&E’s optional TOU rate for small non-residential customers (with demand under 20 kW) is Schedule TOU-A.

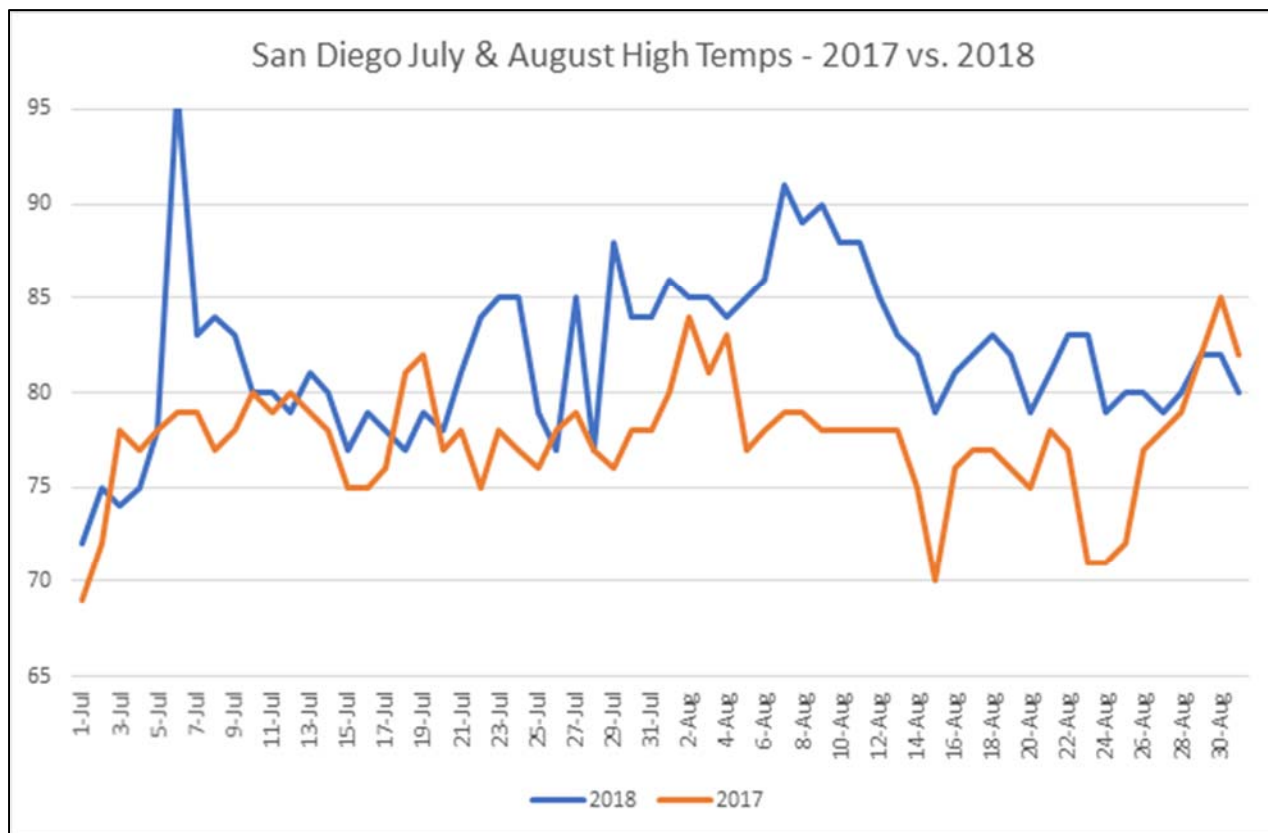
<sup>2</sup> SDG&E’s standard TOU/CPP rate for small non-residential customers is its time-of-use plus rate, Schedule TOU-A-P.



most small non-residential customers, because they are unable to respond when a CPP event is called. CPP events are intended to motivate customers to reduce their electricity use during peak times – typically, on days when outside temperatures are expected to be very high.

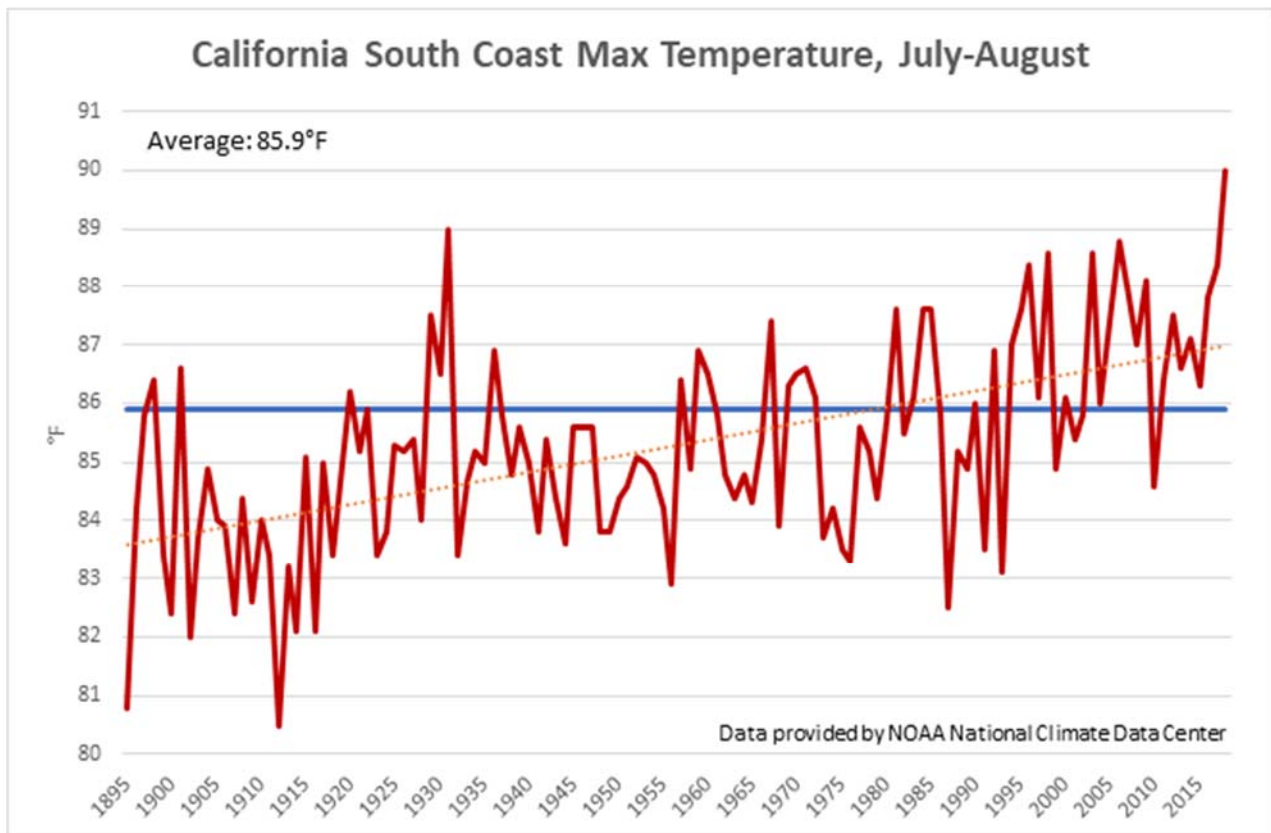
4. This past summer (2018), coastal regions in SDG&E’s service territory experienced an unprecedented heatwave. Among other things, many locations within the SDG&E service territory experienced their hottest July 1<sup>st</sup> – August 21<sup>st</sup> on record, while the state as a whole recorded its hottest July on record. In addition, during several days in August 2018, the low temperature exceeded the normal high temperature, ocean temperatures in San Diego reached 80 degrees and non-desert communities reached 117 degrees in July 2018. The graph in Figure BD-1 below compares the high temperatures in July and August 2017 versus July and August 2018:

**Figure BD-1**



5. Summers have been getting progressively warmer, and that trend is expected to continue. The graph below in Figure BD-2 shows the southern California averaged maximum temperature for July and August from 1895 through 2018. Data are averaged within a zone that runs from Santa Barbara to the Mexico border and includes the main population centers of SDG&E's service territory. Despite some variability each year, summertime temperatures have been on a general increase since 1895 but have undergone a steeper climb in the past 30 years that currently shows no sign of reversing. This year, the two-month average for southern California was four degrees above the climatological mean of 85.9 degrees, which was the highest in the period of record.

**Figure BD-2**



I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, except as to those matters stated to be on information and belief, and as to those matters I believe them to be true and correct.

Executed this 26th day of April 2019, at San Diego, California.

/s/ Brian D'Agostino

Brian D'Agostino

## **APPENDIX C – Declaration of Leslie Willoughby**

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

In the Matter of the Application of San Diego  
Gas & Electric Company (U 902 E) for  
Approval of its Proposals for Dynamic Pricing  
and Recovery of Incremental Expenditures  
Required for Implementation.

Application 10-07-009  
(Filed July 6, 2010)

**DECLARATION OF LESLIE WILLOUGHBY ON BEHALF OF  
SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) IN SUPPORT OF  
PETITION FOR MODIFICATION OF D. 12-12-004**

I, LESLIE WILLOUGHBY, declare that:

1. I am currently employed by San Diego Gas & Electric Company (“SDG&E”) as the Manager of Electric Load Analysis. My current responsibilities include managing and conducting load impact studies. As part of my responsibilities in this role, I prepare SDG&E’s annual measurement and evaluation load impact report (“Load Impact Report”).
2. I have reviewed SDG&E’s Petition for Modification of Decision (“D.”) 12-12-004 (“Petition”).
3. The Petition requests that the Commission modify the Dynamic Pricing Decision regarding standard and optional rates for small non-residential customers, to establish SDG&E’s time-of-use (“TOU”) rate<sup>1</sup> as standard and to establish SDG&E’s TOU rate with an event-based critical peak pricing component (referred to generally herein as SDG&E’s “TOU/CPP” rate)<sup>2</sup> as optional. SDG&E requests this relief because its experience has shown that a TOU/CPP rate may not be suitable for most small non-residential customers, because they are unable to respond

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<sup>1</sup> SDG&E’s optional TOU rate for small non-residential customers (with demand under 20 kW) is Schedule TOU-A.

<sup>2</sup> SDG&E’s standard TOU/CPP rate for small non-residential customers is its time-of-use plus rate, Schedule TOU-A-P.

when a CPP event is called. CPP events are intended to provide a price signal during critical peak periods during extreme high load days. Customers respond by reducing their electricity use during peak times. Historically, CPP events have typically occurred on days when outside temperatures are expected to be very high.

4. The isolated TOU rate structure within SDG&E's TOU/CPP rate for small non-residential customers provided a 2.6% reduction in load from January through September 2018, which equals approximately 7 MW in aggregate load reduction and an overall TOU energy savings of 48 GWHs during the first 9 months of 2018.<sup>3</sup>

5. In that same time period, the isolated CPP portion of SDG&E's TOU/CPP rate for small non-residential customers provided an average load reduction of .02 kW per customer per year, which equals approximately 2.72 MW or 0.7% annual load reduction. This indicates that the TOU component of the TOU/CPP rate encourages more demand response over time than the CPP component, for most small non-residential customers. The aggregate load impact that results directly from CPP events is very small relative to the number of customers that take service on SDG&E's TOU/CPP rate, which leads to the conclusion that most customers provide very little load impacts or cannot and do not respond to CPP events.<sup>4</sup>

6. SDG&E's residential opt-in TOU pilot rates showed statistically significant load reductions of 4.1% - 5.4% during the summers of 2016 and 2017. SDG&E's residential default TOU pilot's 2018 summer results showed statistically significant load reductions of 1.5% to

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<sup>3</sup> R.13-09-011, SDG&E Small Commercial Time Varying Pricing and Technology Deployment Evaluation for Program Year 2018, Demand Side Analytics LLC, Josh Bode & Alana Marchand, March 2019, page 1, *available at* <https://www.sdge.com/regulatory-filing/10486/oir-enhance-role-dr-meeting-state-resource-planning-ops-reqmt> (see Load Impact Reports – April 2, 2019 > 2018 Load Impact Evaluation of SDG&E's Small Com Time Varying Pricing & Technology Deployment Prog.zip).

<sup>4</sup> In 2018, there were 111,149 customers enrolled in SDG&E's TOU/CPP rate, Schedule EECC-TOU-A-P.

2.0%.

7. A study prepared for the U.S. Department of Energy by the Sacramento Municipal Utility District (“SMUD”) shows similar load reduction percentage differences for defaulted residential CPP customers versus opt-in residential CPP customers,<sup>5</sup> consistent with SDG&E’s recent experience with its residential TOU pilots.

8. It is reasonable to expect similar results from small non-residential customers who find themselves on a TOU/CPP rate by default, or who initiate service on SDG&E’s standard TOU/CPP rate. These customers may have no intention of actively monitoring when events will be called, may be less likely to respond, and may therefore be subject to increased bill volatility during the summer months.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, except as to those matters stated to be on information and belief, and as to those matters, I believe them to be true and correct.

Executed this 26th day of April 2019, at San Diego, California.

/s/ Leslie Willoughby  
Leslie Willoughby

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<sup>5</sup> September 5, 2014, “SmartPricing Options Final Evaluation: The final report on pilot design, implementation, and evaluation of the Sacramento Municipal Utility District’s Consumer Behavior Study,” Section II, “SMUD SmartPricing Options Evaluation Submitted to [SMUD],” submitted by Nexant (August 6, 2014), Executive Summary Table 1-2, p. 4, *available at* [https://www.smartgrid.gov/files/SMUD-CBS\\_Final\\_Evaluation\\_Submitted\\_DOE\\_9\\_9\\_2014.pdf](https://www.smartgrid.gov/files/SMUD-CBS_Final_Evaluation_Submitted_DOE_9_9_2014.pdf).